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BLUE SQUARE MANAGMENT

United States v. Viktor Novosselov a/k/a "Viktor Novoseloff" and "David Markowitz", and Igor Malyar, a/k/a "George Falcone" and "Michael Safir"

Docket No. 3:05CR19 (JCH)
USAO No. 2004R00090

On May 26, 2005, a federal grand jury returned a 28-count superseding indictment against Viktor Novosselov, a/k/a "Viktor Novoseloff" and "David Markowitz", and Igor Malyar, a/k/a "George Falcone" and "Michael Safir", charging them with 16 counts of Securities Fraud in violation of Title 15, U.S.C. §§ 77q(a) and 77x; 5 counts of Mail Fraud, in violation of Title 18, U.S.C. § 1341 & 2; 6 counts of Money Laundering in violation of Title 18, U.S.C. § 1957 & 2; and one count of Money Laundering Conspiracy in violation of Title 18 U.S.C. § 1956(h).

According to the Superseding Indictment, in or about January 2001, NOVOSSELOV and MALYAR falsely represented to more than 50 victims, including citizens of Connecticut, through "cold calls" that they worked for *Blue Square Management* ("Blue Square"), a venture capital firm that was in the business of selling securities and specializing in underwriting initial public offerings. In reality, *Blue Square* was a fraudulent entity with no legitimate operations. It is alleged that NOVOSSELOV and MALYAR told the potential investors that they could purchase securities in a company called *Cash Money Lending Corporation* ("CMLC"), another fictitious company that NOVOSSELOV and MALYAR represented to be an actual company purportedly in the business of managing ATM machines.

The Superseding Indictment alleges that NOVOSSELOV and MALYAR falsely represented that CMLC operated a lucrative business managing thousands of ATMs across the country and that an initial public offering for CMLC, and/or a buy-out of the company, would occur in the near future. NOVOSSELOV and MALYAR told investors that the purchase of stock before the initial public offering or buy-out would result in a significant profit, and that in addition to purchasing stock, investors could receive warrants that would also be of significant value. Investors could purchase CMLC stock for \$7 to \$10 per share, which was represented to be one-third to one-half of the planned initial public offering or buy-out price.

The Superseding Indictment further alleges that following the verbal solicitation of investments made during the cold calls, MALYAR and his co-schemers, in an attempt to lure and entice investors, distributed and caused to be distributed false and misleading promotional materials about the fictitious CMLC to prospective investors. To further create the appearance of legitimacy, it is alleged that NOVOSSELOV, MALYAR and their co-schemers sent to the prospective investors official looking documents that contained false and misleading representations, including stock certificates, subscription agreements for the purchase of common stock of CMLC, and invoices signed on behalf of *Blue Square* under the name "David Markowitz." The false documentation also set forth the number of shares the investor had agreed to purchase, the payments owed, and the estimated opening price. Upon receiving "investment" checks from the victims, NOVOSSELOV and MALYAR failed to invest the money as represented, but instead diverted investors' funds for their own personal use and benefit, including paying business expenses, and converting large amounts of the funds into cash.

In furtherance of their investment scheme, it is alleged that NOVOSSELOV, either directly or indirectly, furnished false information to the Commissioner of Social Security to obtain a social security number in the name of "David Markowitz," and then used that number to acquire a New York State identification card and a Visa credit card, both in the name of "David Markowitz." NOVOSSELOV then used the falsely-obtained Social Security account number, the New York State identification card and the Visa card to open multiple bank accounts in the name of "Blue Square" and "David Markowitz," and then moved investors' funds through the bank accounts by electronic funds transfers and by negotiating multiple checks. NOVOSSELOV then withdrew cash from those accounts by way of checks and multiple ATM withdrawals.

On June 14, 2005, the United States Securities and Exchange Commission announced that it has filed a civil action in the United States District Court for the District of Connecticut against *Blue Square*, NOVOSSELOV, and MALYAR in connection with the same alleged investment scheme. The Commission's Complaint also alleges that MALYAR and several other individuals were involved in a similar fraudulent offering under the auspices of another purported venture capital firm named *Westwood Holdings, Inc.* The Commission's action seeks permanent injunctions, orders of disgorgement, and civil penalties against *Blue Square*, NOVOSSELOV, MALYAR, and *Westwood Holdings, Inc.*

A trial has been scheduled on August 16, 2005 at the Federal Courthouse, 915 Lafayette Blvd., Bridgeport, Connecticut, in front of the Honorable Janet C. Hall, United States District Court Judge. It is possible, however, that this date may change. If you plan on attending, please check with the VNS Call Center to verify the trial date and time. You may contact this office the day before the scheduled trial for the most current trial information.